Annual Report to the Minister of the Minimum Wage Review Committee

January 2, 2014

Honourable Kelly Regan
Minister of Labour and Advanced Education
5151 Terminal Road
Halifax, Nova Scotia
B3J 2T8

Dear Minister Regan:

We are pleased to present our annual report on Nova Scotia's minimum wage.

In September 2011, based on recommendations of this Committee, the minimum wage regulations were amended to provide a formula for setting the minimum wage at the low income cut off (LICO) line for a single person living in a community the size of Sydney. This change took effect on April 1, 2012. In order to keep the minimum wage at LICO, the regulations provide that it is to be re-indexed to LICO each subsequent April using the projected national Consumer Price Index (CPI) for the previous calendar year.

Indexing the minimum wage to LICO and adjusting it based on CPI provides a mechanism for maintaining a fair minimum level of pay for the most vulnerable employees in Nova Scotia. It makes changes to the minimum wage more predictable and prevents erosion of the purchasing power of the minimum wage.

While the regulations now contain a clear formula for setting the minimum wage, the Committee continues to meet each year, as required by the *Labour Standards Code*, to review the minimum wage and monitor the economic situation. Based on this year's review, it is the Committee's opinion that there have been no fundamental changes in economic conditions that would warrant deviating from the minimum wage setting approach set out in the regulations.

Attached, please find our report, which includes the recommended adjustment to the minimum wage rates (experienced and inexperienced) and the data used to calculate the adjustment.

As in previous years, we wish to acknowledge staff at the Nova Scotia departments of Labour and Advanced Education, and Economic and Rural Development and Tourism for supporting our work.

Thank you for the opportunity to continue to contribute to this important policy work.

Respectfully submitted by:

Original signed by

Rick Clarke

Steven MacPherson

Tom Patterson

Sandra Rodd

Background Information

In Nova Scotia, employees' rights are protected by the province's *Labour Standards Code*. The Code provides direction to employers and employees on a wide range of topics, including the minimum wage. The minimum wage applies to most employees.

Nova Scotia's *Labour Standards Code* was amended in 2003 to establish a Minimum Wage Review Committee. The Committee – established in 2004 – is comprised of an equal number of employer and employee representatives. It is mandated to conduct an annual review of the minimum wage and to prepare a report for the Minister with recommendations on its continued application. The Minister is required to make the report public within 30 days of receiving it, and to publish a response within 60 days.

Definitions

The Low Income Cut Off Line (LICO)

LICO lines are income thresholds determined by Statistics Canada. LICO lines, which vary based on family size and community size, identify the point below which a family spends 20 percent more than the average family on the essentials of food, clothing and shelter. If a family spends more than 20 percent of its income on these essentials than the average family, its income falls below LICO. While LICO is not a 'poverty line' per se, it is the most frequently used metric when measuring poverty and low income in Canada.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is used to calculate annual adjustments to the LICO lines. CPI is determined by Statistics Canada. Commonly referred to as an inflation measurement, CPI is an indicator of changes in consumer prices that is obtained by comparing the cost of a fixed basket of goods and services over a period of time.

Profile of Minimum Wage Earners

According to Statistics Canada, in 2011 an estimated 23,600 employees earned minimum wage in Nova Scotia, which is about 6 percent of wage earning workers.

Minimum wage earners work throughout the province. They work primarily in retail trade, followed by food and accommodation industries. Most are under the age of 25. Most work part time and go to school full time. A high proportion of minimum wage earners are sons and daughters living at home. Almost two thirds of minimum wage earners in the province are women. Very few minimum wage workers are unionized.

Minimum Wage Rates (General) Across Canada

Province/Territory	As of December 2013
Alberta	$9.95
British Columbia	$10.25
Manitoba	$10.45
New Brunswick	$10.00
Newfoundland and Labrador	$10.00
Northwest Territories	$10.00
Nova Scotia	$10.30
Nunavut	$11.00
Ontario	$10.25
Prince Edward Island	$10.00
Québec	$10.15
Saskatchewan	$10.00
Yukon	$10.54

Inexperienced minimum wage rate

Nova Scotia is similar to other provinces in that it maintains a 'tiered' or "differential" minimum wage system. In Nova Scotia's case this is through an 'inexperienced' minimum wage rate. Employers can pay an employee the inexperienced rate only if the employee has worked for the employer for less than three months and the employee has less than three months total experience with the kind of work the employee is employed to do. Other jurisdictions provide for a tiered minimum wage system based on criteria such as the kind of work the employee does.

The Nova Scotia *Minimum Wage Order (General)* sets the inexperienced minimum wage rate at $0.50 less than the general minimum wage rate. The inexperienced minimum wage is currently $9.80 per hour.

Adjusting the Minimum Wage Rate

Minimum wage was increased to $10.30 per hour on April 1, 2013 to keep it at LICO. The minimum wage regulations provide that it is to be re-indexed to LICO April 1, 2014 using the projected national CPI for the 2013 calendar year. As noted in the chart below, CPI for the 2013 calendar year is projected to increase 0.92% from the previous year. Multiplying the current minimum wage by 0.92% and rounding it to the nearest $0.05, in accordance with the formula set out in the minimum wage regulations, results in an increase to the minimum wage of $0.10.

National Consumer Price Index

Rate of Inflation, Percent Change, Year over Year, Consumer Price Index, All-Items, Canada	
Year	**CPI INFLATION (National)**
2007	2.2%
2008	2.3%
2009	0.3%
2010	1.8%
2011	2.9%
2012	1.5%
2013	0.92%*

***Projected**

Recommendation

Based on the formula set out in the minimum wage regulations, we recommend the experienced minimum wage rate increase to $10.40 per hour and the inexperienced rate increase to $9.90 per hour, to take effect April 1, 2014.